



# CHARTING A PATH TOWARD RECOVERY AND RESILIENCE

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*Shareholders' Association of the Philippines Inc, Summit  
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**1.3 million to  
3.5 million**

**Estimated number of infections prevented due to  
government interventions, such as the lockdowns**

*Source: Epidemiological Models of the FASSSTER Project in April and the University of the Philippines COVID-19 Pandemic Response Team as of June 27*

Country	Lockdown at peak Score (100=strictest)*	Q2 2020 GDP Growth	Deaths per 100K population	Stimulus (Total % of GDP)
<b>Philippines</b>	<b>100</b>	<b>-16.5</b>	<b>2.94</b>	<b>6.4**</b> <b>4.2***</b>
Thailand	82	-12.2	0.08	<b>9.6</b>
Malaysia	75	-17.1	0.40	<b>18.2</b>
United Kingdom	76	-21.7	62.49	<b>23.4</b>
Sweden	46	-8.2	57.12	<b>10.8 to 16.6</b>

*\*Source: The Government Response Stringency Index*

*\*\*Estimated to be the difference between projected fiscal deficit pre-COVID (-3.2% of GDP) and the latest projected fiscal deficit (-9.6% of GDP); takes into account all announced stimulus measures*

*\*\*\*From IMF tracker (3.1% of GDP) and pending legislations (1.1% of GDP)*

*Other sources of data: PSA, Worldometers, IMF, Oxford, and individual country sources*

*Note: Data are as of August 27, 2020*

## Real GDP growth rates of selected countries (in percent)

**Our economic performance for the first half of the year falls within the mid-range of our credit-rating peer group.**

Country	Q1 2020	Q2 2020	H1 2020
<b><i>Credit rating peers</i></b>			
Indonesia	3.0	-5.3	<b>-1.2</b>
Thailand	-2.0	-12.2	<b>-7.1</b>
<b>Philippines</b>	<b>-0.7</b>	<b>-16.5</b>	<b>-9.0</b>
Portugal	-2.3	-16.5	<b>-9.4</b>
Mexico	-2.2	-18.9	<b>-10.6</b>
Italy	-5.5	-17.3	<b>-11.4</b>
<b><i>Other countries</i></b>			
China	-6.8	3.2	<b>-1.6</b>
Malaysia	0.7	-17.1	<b>-8.3</b>
United States	0.3	-9.6	<b>-4.6</b>
Singapore	-0.3	-13.1	<b>-6.7</b>
France	-5.7	-19.0	<b>-12.4</b>
Spain	-4.1	-22.1	<b>-13.1</b>

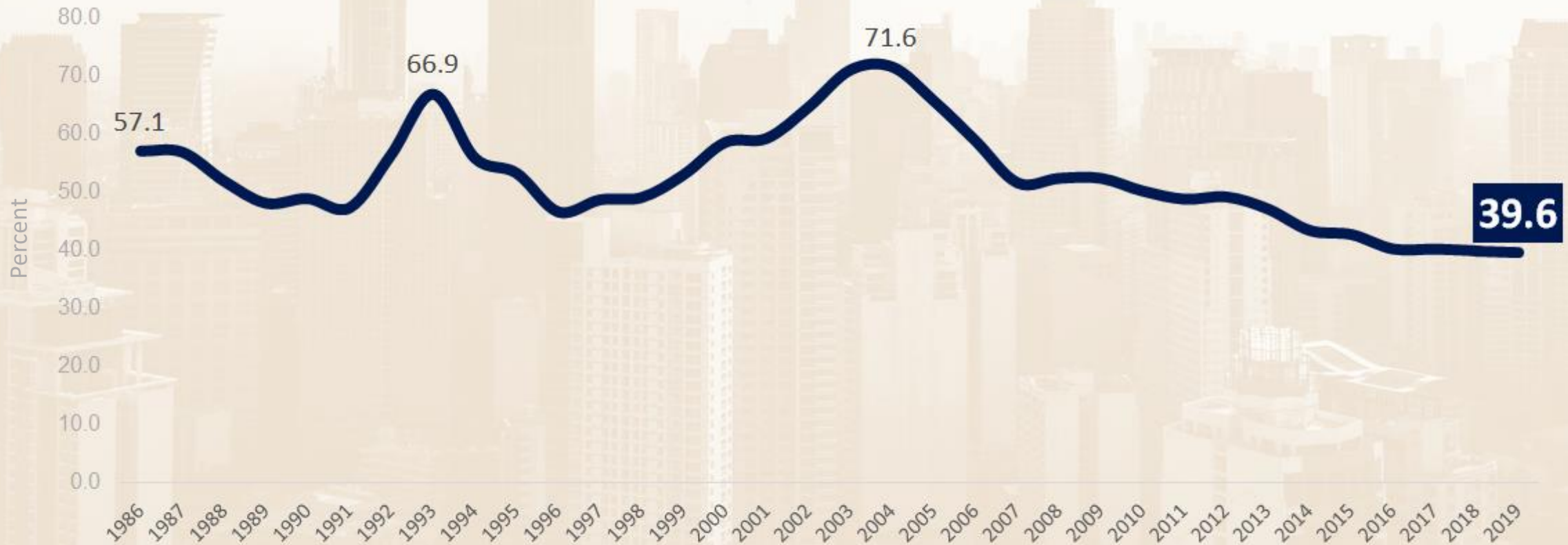
Source: DOF Office of the Chief Economist

**Our fiscal and macroeconomic strengths will continue to provide us with solid footing as we confront our economic challenges.**



2019 debt-to-GDP ratio of 39.6 percent is the lowest it has been since the country started recording this metric in 1986.

## NATIONAL GOVERNMENT DEBT-TO-GDP RATIO



Revenues were at 16.1 percent of GDP in 2019,  
the best performance since 1998.

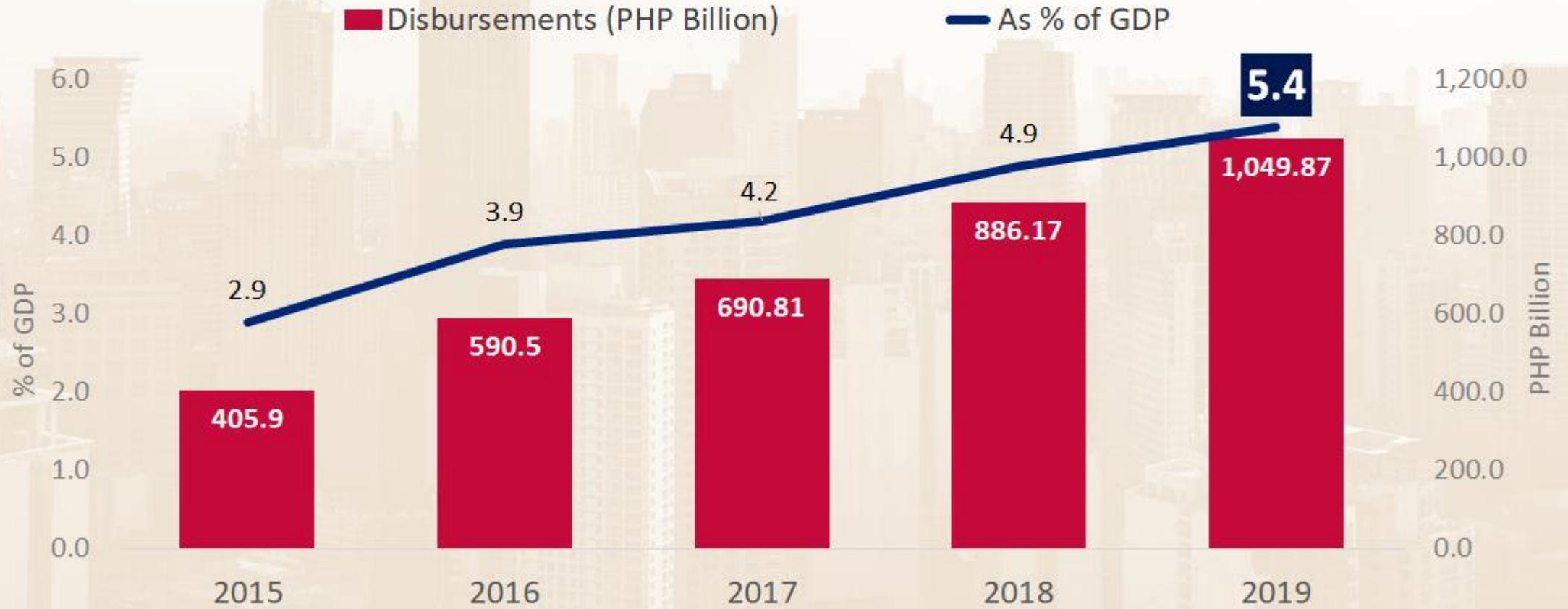
### REVENUES AS PERCENTAGE OF GDP





We were able to catch up and accelerate our spending on infrastructure investments to 5.4 percent of GDP in 2019.

### INFRASTRUCTURE SPENDING-TO-GDP



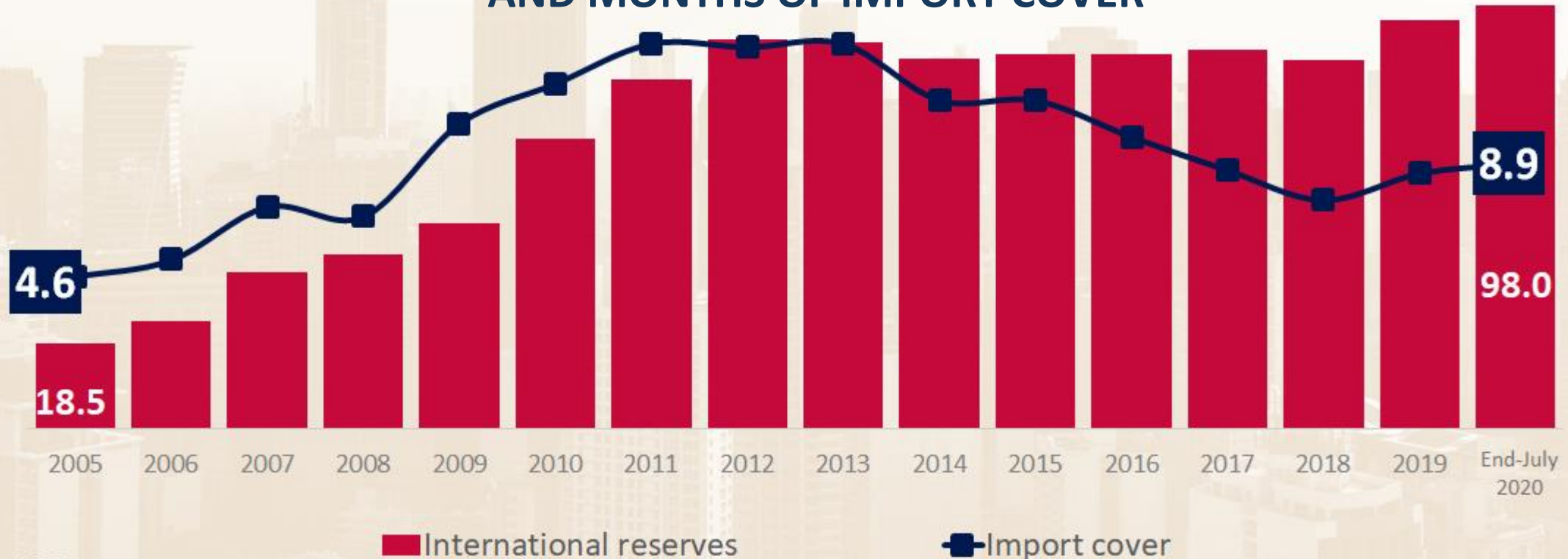
In July 2020, the inflation rate stayed low at 2.7 percent.

### 2020 YEAR ON YEAR INFLATION RATES



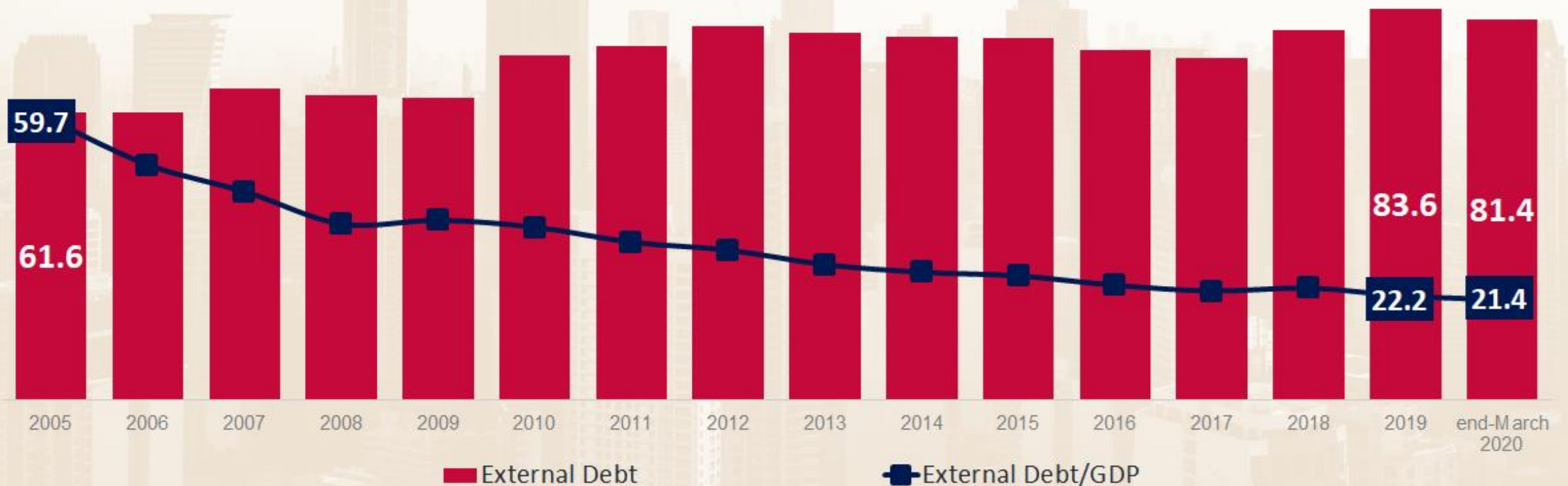
Hefty reserves at USD 98 billion as of July 2020 is the highest recorded so far, and can cover 8.9 months of imports

### INTERNATIONAL RESERVES (*USD Billion*) AND MONTHS OF IMPORT COVER



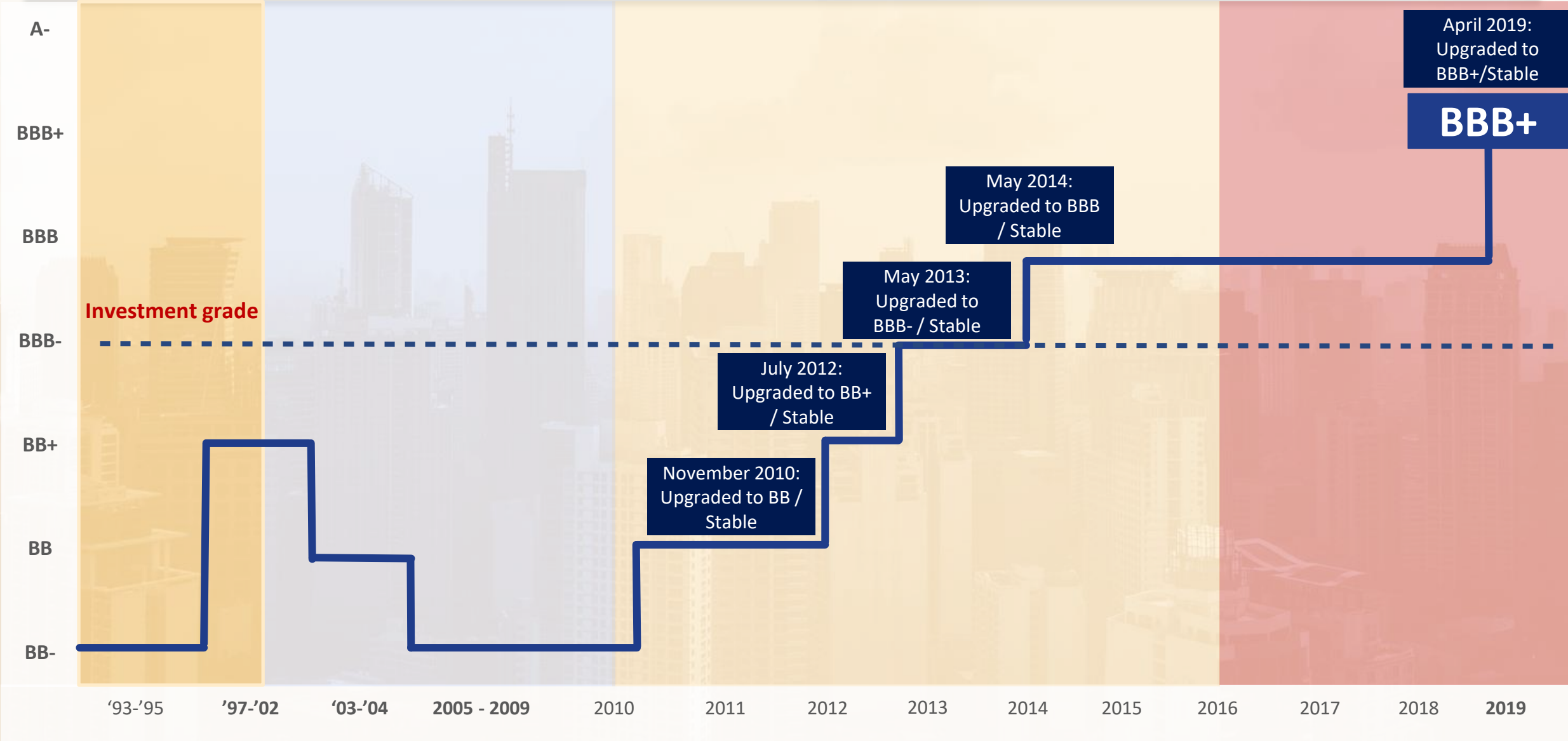
**Our foreign reserves even exceeded our outstanding external debt, which stood at USD 81.4 billion as of end-March 2020.**

**EXTERNAL DEBT (USD Billion)  
AND EXTERNAL DEBT AS % OF GDP**



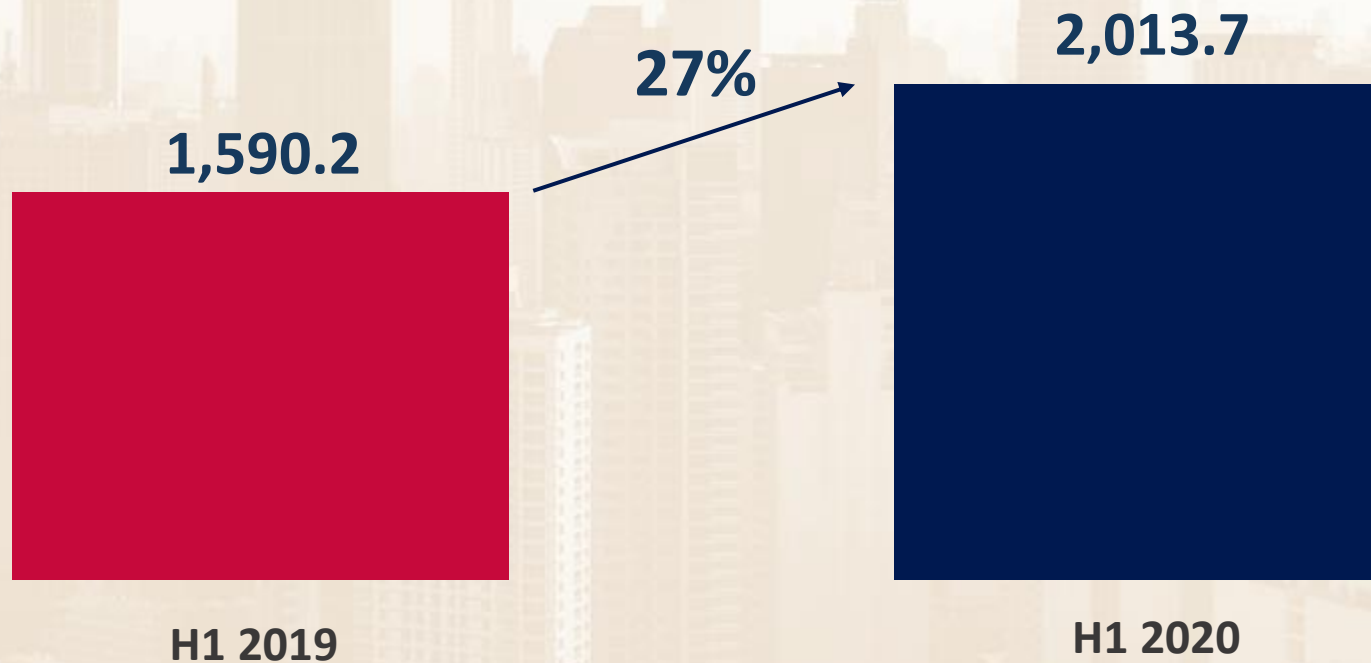
**The Philippine peso is one of the best-performing currencies in the region amidst the pandemic.**

# Last year, S&P raised our sovereign risk rating to BBB plus, the highest in our country's history



**We expanded government expenditures  
in the first semester of 2020 by 27 percent.**

**GOVERNMENT EXPENDITURES**  
*(in PHP Billion)*



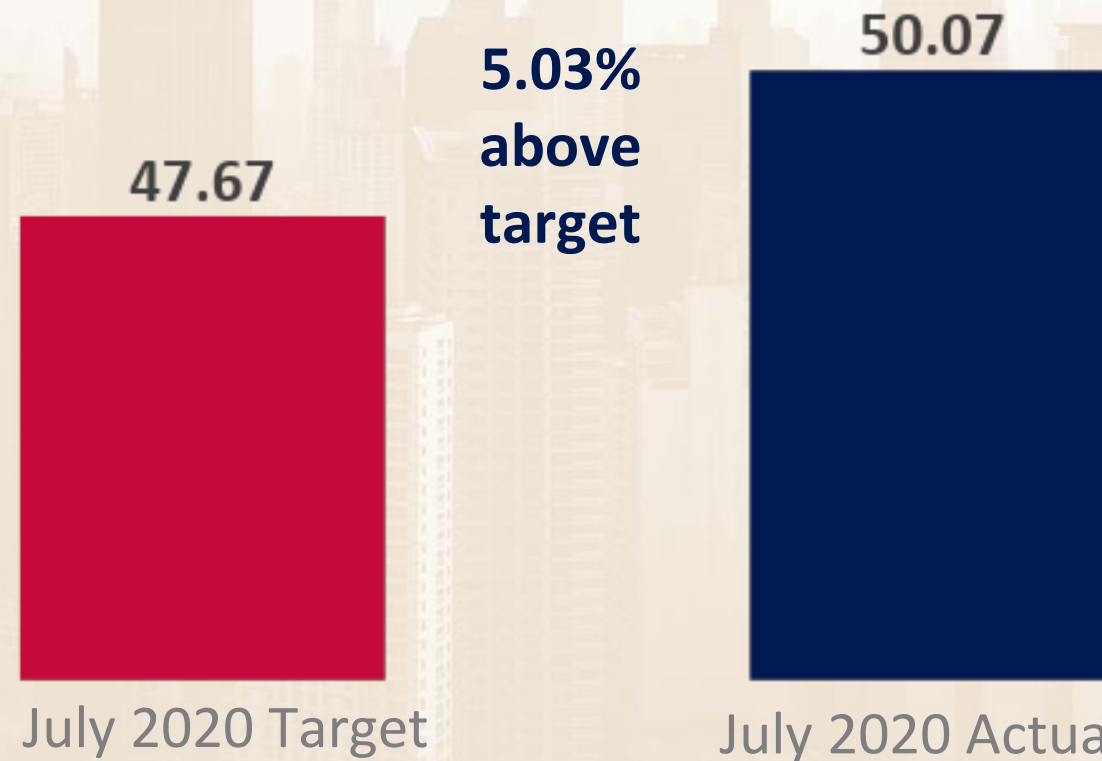
## Improvements are seen as the economy gradually reopens

- The value of the production index for the month of **June showed a slower annual decline of 22.5 percent** compared to the 31.2 percent decrease in May and 41.2 percent in April.
- The volume of production index in June shrank by 19.3 percent year-on-year. This decline was slower compared to May's drop of 28.5 percent and 38.8 percent in April.
- The **overall manufacturing capacity reached 73 percent in June**, up from 72.4 percent in May and 70.5 percent in April.
- The total merchandise trade further eased its negative trajectory in June with a slower decline of 19.9 percent, after a steep 35.3 percent contraction in May and 59.5 percent in April.



Despite the effects of COVID-19 to the overall trading environment, the BOC was able to surpass its July 2020 collection target by 5 percent.

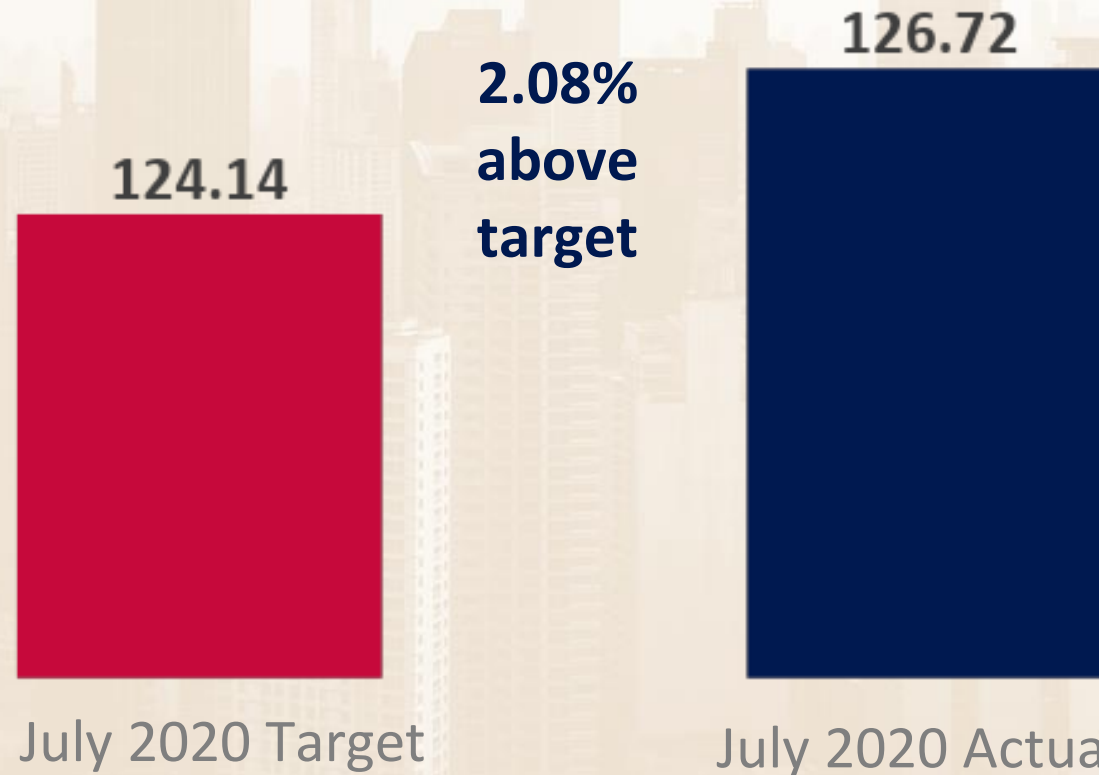
**BOC COLLECTIONS FOR THE MONTH OF JULY 2020**  
**ACTUAL VS. TARGET**  
*(in PHP Billion)*



Source: DOF ROG  
Note: Preliminary Figures Only

The Bureau of Internal Revenue, for its part, exceeded its July 2020 collection target by 2 percent.

**BIR COLLECTIONS FOR THE MONTH OF JULY 2020  
ACTUAL VS. TARGET**  
*(in PHP Billion)*



Source: DOF ROG

Note: Preliminary Figures Only

# Immediate Relief Measures for the Filipino People



**P51 billion Small Business Wage Subsidy Program for more than 3.1 million workers**



**P205 billion Emergency Subsidy Program to more than 18 million families**

# Legislative Imperatives to Revive the Economy

1. **A fiscally-responsible Bayanihan to Recover as One Act**, which will provide another round of fiscal measures to stimulate consumer demand and support businesses and individuals critically impacted by COVID-19.
2. **Immediate passage of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act** that will provide targeted incentives and bring down our country's current corporate income tax rate of 30 percent to 25 percent. This will be reduced further by one percentage point every year from 2023 to 2027 to reach 20 percent.
  - First-ever revenue eroding tax reform proposed by the DOF, and largest fiscal stimulus program for enterprises in the country.
  - Modernize and tailor-fit our incentives to make the country more attractive to investors.

# Legislative Imperatives to Revive the Economy

- 3. Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery or GUIDE bill** for the creation of a holding company that will infuse equity, with strict conditions, into strategically important companies experiencing solvency issues.
- 4. Through the Financial Institutions Strategic Transfer or FIST Act**, we seek to allow banks to dispose of non-performing loans and assets through asset management companies similar to special purpose vehicles created in the early 2000s in response to the Asian Financial Crisis.



## Bayanihan to Recover as One (Bayanihan II)

provides another round of fiscal stimulus measures to stimulate consumer demand and support businesses and individuals critically impacted by COVID-19.

## Bayanihan to Recover as One (Bayanihan II)

Bayanihan II provides relief and assistance to Filipino households and businesses through different programs, such as:

- **Cash subsidies** for low-income households, and **unemployment or involuntary separation assistance** for displaced workers, including public utility vehicle (PUV) drivers;
- **Increased credit and guarantee programs** for the private sector, especially micro, small, and medium enterprises, through government financial institutions (GFIs);
- **Special risk allowances**, on top of hazard pay, for temporary **public and private healthcare workers**;
- **Cash assistance to healthcare workers who contract COVID-19** in the line of duty;
- Funds for the hiring of **50,000 contact tracers**;

## Bayanihan to Recover as One (Bayanihan II)

Bayanihan II provides relief and assistance to Filipino households and businesses through different programs, such as:

- **A one-time, 60-day grace period for the payment of all existing, current, and outstanding loans falling due on or before December 31, 2020;**
- **A minimum 30-day grace period on residential and commercial rents of lessees not permitted to operate during the pandemic;**
- **A minimum 30-day grace period for the payment of utility bills (electricity, water, etc.) due within the period of enhanced community quarantine (ECQ) or modified ECQ;**
- **Condonation of pending payments of interest, penalties, and surcharges for agrarian reform loans, with the restructuring of the remaining original principal without interest.**



# Bayanihan To Recover As One Act (Bayanihan II)

## Other salient features:

- 1. Extension of the net operating loss carryover (NOLCO) for losses incurred in 2020 and 2021 from 3 to 5 years**
- 2. Repeal of the tax on sale, barter, or exchange of shares of stock listed through Initial Public Offering (IPO)**
- 3. Suspension of requirement of permits to build telecommunication towers for 3 years.**

DRAFT FOR DISCUSSION. SUBJECT TO CHANGE.

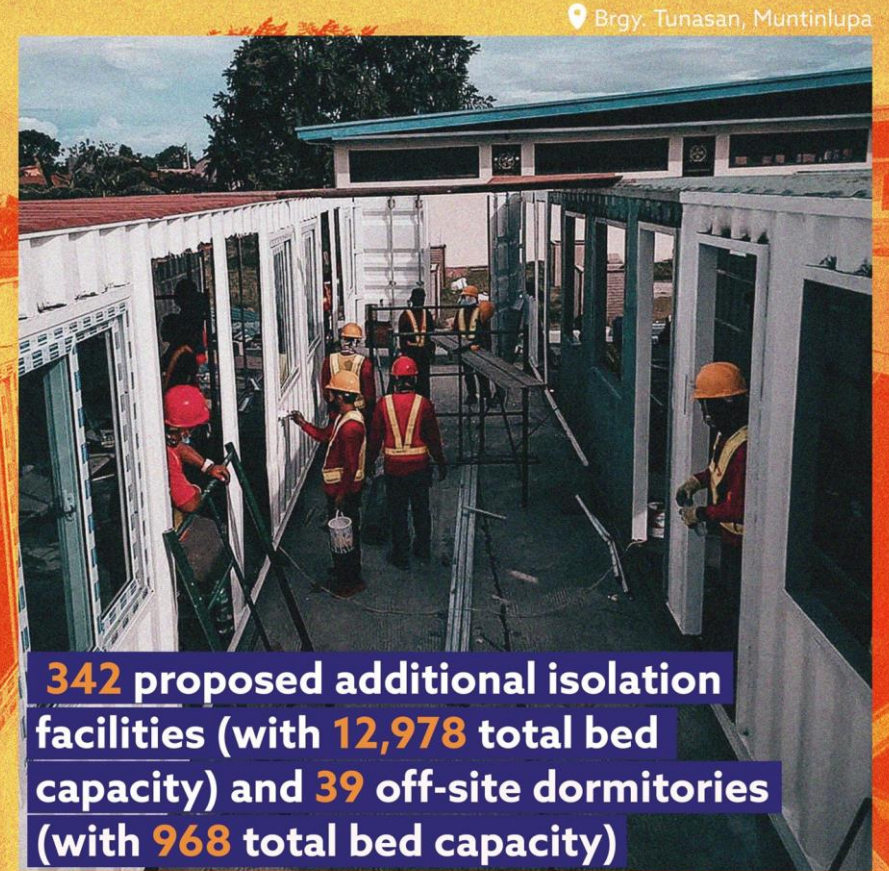


**Investments in infrastructure boost  
interconnectivity and uplift the lives of Filipinos**



## VIROLOGY RESEARCH INSTITUTE IN NEW CLARK CITY

BUILD  
BUILD BUILD



**342** proposed additional isolation facilities (with **12,978** total bed capacity) and **39** off-site dormitories (with **968** total bed capacity)

as of July 24, 2020

## Reforms to make the Philippines a more investor-driven economy

- **CREATE** will boost after-tax corporate income, leaving more funds for job creation and firm expansion -- which will boost shareholder returns.
- **PIFITA** will reduce friction costs in financial transactions
- **Investment liberalization laws** will allow more foreign equity into the country, expanding the market for Philippine stocks, boosting demand for equities, and potentially increasing market capitalization.
- With the issuance of the **regulations for the REIT law earlier this year**, the range of asset types available for shareholders has broadened.



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